

Message Text

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C O N F I D E N T I A L MADRID 1548

EXDIS

E.O.11652: GDS

TAGS: EFIN, SP

SUBJECT: SPANISH BALANCE OF PAYMENTS AND FOREIGN DEBT FIGURES
PER MINISTRY OF COMMERCE

1. ACCORDING TO FIGURES PROVIDED US ON CONFIDENTIAL BASIS BY MINISTRY OF COMMERCE CONTACT, GOS CURRENT ACCOUNT BALANCE OF PAYMENTS DEFICITS FOR 1974 AND 1975 ARE CONSIDERABLY ABOVE FIGURES PREVIOUSLY PUBLISHED, WHILE TOTAL FOREIGN DEBT AS OF 12/31/75 WAS ACTUALLY ABOUT \$7.2 BILLION, WELL BELOW \$8.7 BILLION FIGURE USED BY MINISTER OF FINANCE, VILLAR MIR. IN THE NEXT FEW DAYS WE HOPE TO RECEIVE FROM MINISTRY OF FINANCE SIMILAR DATA PER OUR FORMAL REQUEST FOLLOWING RECEIPT OF VILLAR MIR'S LETTER AT THAT TIME WE WILL MAKE OUR OWN COMPARISON AND ANALYSIS.

2. ACCORDING TO CONTRACT, ACTUAL CURRENT ACCOUNT DEFICIT FOR 1974 WAS \$3.3 BILLION AS AGAINST PREVIOUSLY PUBLISHED FIGURE OF 3.1 BILLION. FOR 1975 CURRENT DEFICIT IS NOW ESTIMATED AT \$3.476 BILLION WHEREAS PREVIOUS ESTIMATES RANGED FROM \$2.8 TO \$3.0 BILLION. HIGHER AMOUNTS ARE RESULT OF VARIOUS BOOKKEEPING ADJUSTMENTS. FIGURES HAVE NOT BEEN PUBLISHED YET, REPORTEDLY BECAUSE OF GOS CONCERN OVER EFFECT THEY MIGHT HAVE ON SPAIN'S IMAGE WITH FOREIGN LENDERS AND BECAUSE OF FEAR THEY WILL LEAD TO INCREASED SPECULATION AGAINST PESETA. FIGURES WERE, HOWEVER, RECENTLY GIVEN TO IMF TEAM AND TO REP FROM IBRD, AND IT IS EXPECTED THAT GOS WILL SHORTLY RELEASE THEM. OTHER 1975 BOP FIGURES
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SHOW NET LONG TERM PRIVATE INFLOWS OF \$1,995 BILLION , NET

LONG TERM PUBLIC INFLOWS OF \$796 MILLION, NET SHORT TERM INFLOWS OF \$481 MILLION, ERRORS AND OMISSIONS OF \$98 MILLION AND AN INCREASE IN RESERVES OF \$107 MILLION. EMBASSY WILL PROVIDE COMPLETE 1974 AND 1975 CORRECTED BALANCE OF PAYMENT DATA AIRGRAM.

3. WHILE BALANCE OF PAYMENTS FIGURES ARE RESPONSIBILITY OF MINCOMM AND MAY BE TAKEN AS MOST AUTHORITATIVE AVAILABLE, FOREIGN DEBT INFORMATION IS PRINCIPALLY THE RESPONSIBILITY OF MON OF FINANCE. HOWEVER, COMMERCE MAINTAINS OWN DATA ON THIS IN CONNECTION WITH BALANCE OF PAYMENTS ACCOUNTING. COMMERCE OFFICIAL TOLD US HE BELIEVES THAT DIFFERENCE BETWEEN VILLAR MIR'S \$8.0 BILLION DEBT FIGURE AND \$7.2 BILLION USED BY COMMERCE IS FAILURE OF FORMER TO TAKE ACCOUNT OF REPAYMENTS DURING 1975 OF SHORT TERM CREDITS, MAINLY FOR IMPORTS. FIGURES PROVIDED US BY COMMERCE AS FOLLOWS FOR 1975:

A) NET INCREASE IN FOREIGN PRIVATE DEBT \$1.874 BILLION.

B) NET INCREASE IN FOREIGN PUBLIC DEBT \$811 MILLION.

C) FOREIGN PRIVATE, DEBT OUTSTANDING 12/31/75 \$4.726 BILLION.

D) FOREIGN PUBLIC DEBT OUTSTANDING 12/31/75 \$2.472 BILLION.

E) TOTAL FOREIGN DEBT OUTSTANDING 12/31/75 \$7.198 BILLION.

F) FOREIGN DEBT SERVICING IN 1975 \$2.200 BILLION OF WHICH \$1.499 BILLION FOR AMORTIZATION AND \$781 MILLION FOR INTEREST. TOTAL REPRESENTS 16 PERCENT OF GROSS EARNINGS FROM EXPORT OF GOODS AND SERVICES.

4. COMMERCE FIGURES ALSO SHOW SPAIN WAS OWED TOTAL OF \$2.045 BILLION FROM FOREIGN SOURCES AS OF 12/31/75, \$1.625 BILLION PRIVATE AND \$420 MILLION PUBLIC. QUALITY OF THESE CREDITS IS UNKNOWN TO US.

5. GOS FINANCING PLANS FOR 1976 ARE STILL BEING FORMULATED.
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COMMERCE SOURCE SAYS THERE IS LIKELIHOOD OF CURRENT DEFICIT OF \$2.8 BILLION, THAT RESERVES WILL BE ALLOWED TO DECLINE BY \$1 BILLION AND THAT WITH PERHAPS \$400 MILLION INFLOW IN LONG TERM CAPITAL, FOREIGN LOANS OF ABOUT \$1.5 BILLION WOULD BE NEEDED. ROUGH COMMERCE PROJECTIONS THROUGH 1980 SHOW NO YEAR IN WHICH CURRENT DEFICIT DROPS BELOW \$2.0 BILLION, AND RECENT IBRD VISITOR TOLD US HE FOUND BANK OF SPAIN'S CHIEF ECONOMIST INCREASINGLY CONCERNED OVER FUTURE FINANCING OF THESE

DEFICITS. HE ALSO SAID GOS IS INEXPERIENCED
IN DEBT MANAGEMENT AND HE WOULD BE MAKING SOME PERSONAL
SUGGESTIONS.

6. CLEARLY MORE INFORMATION IS NEEDED BEFORE REACHING ANY CON-
CLUSIONS, AND WE WOULD NOT BE SURPRISED IF MINFIN DATA CONFLICT
WITH COMMERCE FIGURES. WE WILL CONTINUE OUR EFFORTS TO OBTAIN
WHATEVER INFORMATION AVAILABLE AND TO ANALYZE IT.
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